

12 JAN 1949

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GENERAL

1. British views on UN Committee's Berlin plan--Foreign Secretary Bevin has replied to US Embassy London, concerning the recent US suggestion that the UN Technical Committee's proposal for fiscal reorganization in Berlin should be regarded as inapplicable to the situation, that British technical experts consider the Committee's proposal to be workable with appropriate amendments. Bevin reportedly believes that the suggested US counterproposal (providing for acceptance of the Soviet mark on the basis of autonomous use in the three western sectors) is "obviously unacceptable" to the USSR and might enable the Kremlin to place the blame on the western powers for the breakdown of the Security Council's mediation efforts. Bevin also expressed his fear that neutral members of the SC would react adversely if the western powers rejected the Committee's proposals. Bevin also indicated that British experts in Berlin have reported that "no compelling need" exists for the establishment of the western mark in the western sectors. Bevin asked the Embassy what US intentions in Berlin are and whether the US really wants a settlement.

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2. Soviet compromise on Berlin dispute believed unlikely--US Embassy Moscow expresses its belief that there is absolutely no indication of any Soviet willingness to reach an agreement on the Berlin dispute at any price which the US could conceivably pay. The Embassy feels that the Kremlin will continue to welcome any delays which do not interfere with the maintenance of the blockade and permit the strengthening of the organization of the German Communist puppets. The Embassy also believes that the USSR is likely to "talk business" only if the Kremlin is convinced that the western powers can "decisively win the battle for Berlin."

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